



## **The management of consumer co-operatives in Korea: Identity, participation and sustainability. Edited by Seungkwon Jang,**

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How to cite this article:

Myers, J. (2019). The management of consumer co-operatives in Korea: Identity, participation and sustainability. Edited by Seungkwon Jang [Book review]. *Journal of Co-operative Studies*, 52(3), pp. 36-40.  
<https://doi.org/10.61869/JHYB1515>

# The Management of Consumer Co-operatives in Korea: Identity, Participation, and Sustainability

Edited by Seungkwon Jang

Routledge, 2020. ISBN 978-1-138-48994-3 (hbk), 978-1-351-03646-7 (ebk), 147pp.

Seungkwon Jang is professor and head of the Department of Management of Co-operatives at the graduate school at Sungkonhoe University in Seoul and this edited edition brings together other academics from the university as well as students, researchers, and managers engaged in management of co-operatives in South Korea and co-operative studies. As such, it focuses mainly but not exclusively on internal management of consumer co-operatives ranging from finance, price stability and supply chain management, co-operative governance, gender, and member participation. What also makes this collection of essays interesting is that most present cases of consumer co-operatives to focus on practice and links between theory and practice.

In the introductory chapter, Jang tracks the development of consumer co-operatives from the rural consumer co-operatives emerging in the 1980s to date, and the four main co-operative federations — Hansalim, iCoop, Dure, and Happycoop. There's a useful updated version of Jeong, Kim, and Kim's (2011) mapping of the development of consumer co-operatives (p. 4) that traces the roots of the four federations from the 1970s farmers' and co-operative movements, and from social movements, including religious and community groupings and the women's movement.

In 2018, the combined membership of the four federations was around 1.2 million people. The largest and the oldest is Hansalim (organic agriculture and a national chain of consumer co-operative stores). Seen as the pioneer of the new phase of Korean consumer co-operative movement in the 1980s and the "grand political change in 1987" (Hyung-Mi, 2013), Hansalim has over 660,000 household members. Although with half the membership (around 300,000), iCOOP has the greater turnover — 519 USD in 2018 compared to Hansalim's 391 USD. Set up in 1997, iCOOP was formed by a number of small- and medium-sized local co-operatives concerned about the high logistics costs of trading environmentally friendly agricultural products. Shortly after their formation and as series of incidents of food adulteration of organic foods put increased pressure to assure product safety, iCOOP took up the mantle by establishing food safety systems and a focus on sustainability and ethical consumerism. Dure Consumer Co-operatives' Union's history lies in the consumer co-operative movement and is predated by the Korean Consumer Co-operative Federation (KCCF) and a previous incarnation as the Capital Metropolitan Association. During this time, the federation received financial support from Japanese consumer co-operatives (seen as the birthplace of community supported agriculture — Thompson, 2008; Kondoh, 2014) and later worked with civil society/social economy organisations, including Happy Consumers' Co-operative Union and the Korean University Cooperative Federation, to establish the People's Fair-Trade Cooperative (<http://ptcoop.co.kr/ptcoop-en>). The smallest of the federations is Happycoop born out of the Korean feminist movement with the aim of enhancing gender equality and women's rights in the consumer co-operative movement (p. 5). It is interesting that later (Chapter 3, p. 30), Kim & Jang note that although there is a high percentage of women's engagement in consumer co-operatives (89%) and at Board level, iCoop's board of directors stood at 100% in 2018, compared to Happycoop at 73%.

This brief overview of the four federations provides a useful foundation for the following eight chapters, starting with co-operative governance and concluding with conclusions and the future of consumer co-operatives in Korea. As the chapters deal with different management issues in consumer co-operatives readers need not read from start to finish but can dip into different chapters to focus on the issues that may most interest them. Read together as a whole, however, and because of the focus on the four federations in each of the chapters, it is easy to build up a more detailed overview of each of the federations and approaches to managing their co-operatives over time.

Chapter 2 (Kim, Cho & Jang, pp. 15-29) looks at the distinctive aspects of co-operative governance premised on the basis that, in co-operatives, Boards are “composed of delegates of members ultimately responsible for representing the interest of members [thereby mediating] varied interests of multi-stakeholders and draw up the overall policies so as to efficiently retain businesses reflecting members’ needs” (p. 15) and are therefore seen as the “ultimate keepers of the co-operative values and principles” (p. 17). This, the authors state, puts emphasis not only on the structure of boards but also on the decision-making processes that incorporate the beliefs of directors and the balance between social and economic values of the co-operative. In order to explore this, the authors use Weick’s (1995) concept of sensemaking to create shared meaning and understanding in contexts that are dynamic, ambiguous, and complex. They conclude that of the three modes of governance put forward by Chait, Ryan and Taylor (2005), namely fiduciary (facts, figures, technical, accountability), strategic (analytical, comparative analysis, indicators for performance), and generative (non-rational/political, retrospective learning and sensemaking), that co-operative governance is generative in that it “identifies given issues and provides different interpretations to generate alternative ways of thinking ... to frame ... present problems and understand experiences in the past” (p. 18). To look at practice, the authors consider the case of Jeonju iCOOP.

It is pertinent to consider the processes of sensemaking for co-operative governance as this brings to the fore an emphasis on multiple realities and lived experience and a focus on noticing (change, issues, events), interpreting and actions. While the sensemaking literature reflects interpretation, reflection and meaning making of critical or crisis situations (for example, Weick’s 1993 seminal paper on the Mann Gulch disaster and Port Authority), there is much interest in the more mundane and everyday aspects of leadership and management and it remains a useful lens for, in this instance, how organisations ‘do governance’.

Chapter 3 as mentioned earlier considers the problem of a binary distinction of men/women and instead promotes a shift away from defining individuals on the basis of their bodily characteristics (‘body counting’ — Alvesson & Billing, 2002) in organisation and management studies (p. 31). From this starting point, Kim and Jang provide an overview of gender perspectives in organisation studies and research and an examination of the characteristics of Korea’s consumer co-operatives. The chapter is really a call for further research and a widening of the discourse on gender perspectives and gendered organisations. The authors point to an institutional factor in that consumer co-operatives in Korea are ‘closed’ so only members are eligible to use the services provided by the co-operative, unlike the UK where use is not restricted to members only. This, they suggest supports the democratic processes in the co-operative as well as their autonomy and independence. Despite Korea being seen as predominantly patriarchal or perhaps because of it, co-operatives provide a space for women’s economic and social activities. Yet, from Kim and Jang’s systematic review of articles on women and gender published in the *Korean Journal of Co-operative Studies* from 1983 to 2013, there are limited studies on both consumer co-operatives and more specifically women-dominated boards of directors in consumer co-operatives. From this “lack of interest” (p. 35), the authors conclude that it is necessary to further examine gender relations and both women’s and men’s experiences of organisational culture and relationships “based on difference ... [to] understand how the formal structures have been hierarchically organised along gender lines” (p. 37).

In Chapter 4, Ji and Choi consider the ways in which consumer co-operatives might mitigate the occurrence and impact of asymmetric price transmission in agricultural products, which

disadvantage both producers and consumers, and thereby shield members from imperfect market competition. To consider this, the authors compare the practices of iCOOP (the 'co-op model') and the 'market model' (the same products in the agricultural products market, for example, potatoes, mushrooms, peppers etc. — pp. 47-48). Before explaining the approach to the empirical study, the authors provide useful background to, in the main, research on agricultural sectors and supply chains together with the problems of price stability and asymmetric price transmission. Consumer co-operatives, such as iCOOP, base their pricing policies on direct transactions with members which takes on two main approaches — fixed pricing policy and a newer iCOOP-devised flexible pricing policy. The authors provide a useful table (p. 44) to compare the two and the ways in which iCOOP attempts to achieve a supply of eco-friendly and organic products that balances a reasonable income for producers and a reasonable price for consumers; thereby shifting a traditionally perceived antagonist relationship between producers and consumers to a more co-operative and mutually beneficial one. For readers favouring more explicit explication of quantitative methods, the chapter provides detail of methods and analysis that underpin the findings of the study. From these findings, the authors conclude that with pricing policies such as those devised by iCOOP, consumer co-operatives in Korea could indeed face a reduced likelihood of asymmetric price transmission by “easing price volatility” and “by integrating the interests of consumers and producers” in ways that enhance the welfare of both (pp. 59-60).

The focus is again on iCOOP in Chapter 5, where authors Seo and Choi discuss the thorny issue of capital in co-operatives. In doing so, Seo and Choi consider ownership rights, and then focus on information asymmetry (between buyers and sellers, and creditors and debtors) and specifically pecking order theory whereby, in terms of alleviating risk, an organisation prefers internal to external financing in the first instances (Myers & Majluf, 1984). As co-operatives are structured to potentially have less asymmetric levels of information between the organisation and the members, the authors suggest that in consumer co-operatives that have large memberships then it reduces costs of capital to look to their memberships to borrow money rather than to banks. In Korea, consumer co-operatives may only use loans and member shares and the chapter describes how iCOOP first borrowed money from its members after there was a fire at its logistics centre after which the co-operative continued to use member loans to help grow the co-operative. In these instances, and after the first successes of franchise stores and regular communications with members, the reasons behind the need to borrow were obvious and members trusted the co-operative enough to continue to loan money.

Lack of capital also hinders marketing and brand building capacity and this together with how co-operatives differentiate themselves in an increasingly competitive market are the subjects of Youn and Lee's Chapter 6. The authors review the brand identities (mission, culture, core values, positioning, brand, and slogans) of the four consumer co-operatives through interviews with key respondents and secondary data such as annual reports. Not surprisingly, there are common themes and similarities between the four co-operatives in relation to purpose, values and principles; however, some differences were noticed partly because of the background and development of each co-operative but also with regard to their mission, which underpin the ways in which they do business. As mentioned earlier, for Happycoop an ultimate aim is “to support women's independent lives”; for Dure, it is to build “independent and autonomous local community” while Hansalim has a more far-reaching aim to “save all things, and reveal individual beings through their relationships”; finally, iCOOP's focus is to make the co-operative movement more popular through the promotion of a 'consumer-centred' consumer movement.

Chapter 7 looks at how the Hansalim consumer co-operative and the influence of member participation on changes in productivity. The research was undertaken between 2012 and 2016 to measure how productivity changes over time by considering both financial and non-financial indicators. The inputs identified to provide an analysis of productivity included the number of members, the number of active participating members (in management, meetings, activities), and the labour costs of activists and executives. Outputs included sales, collection and return rate of reusable bottles and the contribution area of farmlands. The proposition behind the

research was that members' economic and management participation influences both financial and non-financial performances. 2014 and 2015 showed significant increase in productivity (7.2%) during which time there had been concerted efforts to raise member participation, for example through promotional campaigns around environmental awareness (through increasing recycling of bottles and making it easier to return bottles and reward such activity). This resulted in a 20% increase in return rates. This was partly offset by the opening of an additional 13 stores during the same period, and over the whole period there was some differences in productivity rates of different branches (e.g., through differentials in labour costs). The authors contend that it is inappropriate to view the efficiency and productivity of co-operatives using mainstream theories of the firm which tend to denigrate co-operatives as "inferior organisations" (p. 118), arguing that there is a need to value 'unconventional performance of firms' based both on economic and social and associational aspects.

The penultimate chapter focuses on collaborative supply chain management. Here Kim, Park and Jang look at iCOOP to consider co-operative practice between suppliers and consumers with a view to understanding and improving practice. Their process of evaluation involves systems dynamics modelling which provides a way of examining complex and dynamic systems and relationships that can support strategic decision-making. In this chapter, we also find out another feature of how iCOOP raises money from members to provide stable capital — a dues system. Members pay a monthly amount to their local co-operative where they then benefit from discounted prices. It's a non-refundable amount and the authors state that 50% of the dues (approximately \$5 per person per month) are used for improving consumer services and operational costs. As a result, dues paying members consume more and their loyalty helps the co-operative to more easily and accurately predict consumers' needs and changes in seasonal demand (p. 128). As such, this arrangement becomes a significant part of the collaborative supply chain management system. Drawing data from in-depth interviews with managers, the authors are able to map relationships and feedback loops between interpersonal trust, interorganisational trust, information sharing (antecedents of trust) and successful supply chain management (results of trust; pp. 130 and 132) that flow from membership dues and participation. The more predictable and stable member base is seen as a support to manage supply chains more effectively.

Co-operatives have a long and vital history in Korea and are visible in numerous sectors. The Framework Act on Co-operatives, 2012 further encourages the development of co-operatives and distinguishes between for-profit co-operatives and general purpose or social (non-profit) co-operatives (ICA-AP, 2018). The consumer co-operative sector is growing and the final chapter of this edited edition, concludes with a look to the future of Korea's consumer co-operatives. Overall, the book provides a useful insight into the present workings of several of the key consumer co-operatives and the chapters taken together give glimpses of different management practices and operations from different perspectives emphasising member participation and contribution to effective decision-making, co-operative management and governance, performance, and environmental, social and economic sustainability. Even so, Jang, Kim, Oh and Jeong point to the need for legal frameworks that recognise and support the distinctive co-operative model. Like many other sectors in other countries, the authors point to the need to attract and engage young people in the sector. They stress the contribution of co-operative education as a function of both promoting co-operative ideas as a way of living and as a business model and of building solidarity among co-operatives. While the authors recognise challenges, it is perhaps fitting to end on what they see as a positive driver in meeting these challenges; that co-operatives "have a way of doing better business, which brings more effective balance to the global economy than the dominance of the investor-owned business model" (p. 140). Yay to that!

## The Reviewer

Jan Myers is Editor of the *Journal of Co-operative Studies*.

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